

# The Treasury Note



A monthly newsletter  
of municipal finance

April 1, 1996

## **Results of Recent Bond Sales**

### ***General Obligation Bond Refunding***

The February 28, general obligation refunding bond sale was a success. The state received bids from three syndicates. The winning bid was submitted by a syndicate led by BA Securities with an overall true interest cost to the State of 5.512%. The serial bonds were priced to yield 3.25% in 1996 to 5.55% in 2016 through 2018. The term bonds due in 2021 were priced at par to yield 5.6%, and the term bonds due in 2024 were priced 5.625% to yield 5.65%.

This was the first sale by the state after Fitch, one of the three rating agencies, upgraded California's credit rating to A+ from A. According to BA Securities, the syndicate was so confident in California that they declined an offer to insure these refunding bonds. The entire issue of \$159,935,000 was sold out to investors the day of sale.

By selling these refunding bonds, the treasurer saved the State of California approximately \$17 million in debt service payments over the life of the bonds.

### ***Public Works Board Community Colleges***

On March 19, the California State Public Works Board (PWB) sold \$135,325,000 of lease-purchase revenue bonds to a syndicate led by J.P. Morgan Securities, Inc. The overall true interest cost to the State was 5.84%. The bonds were set with coupons ranging from 4.00% to 6.25%. According to the syndicate, the bonds have taxable equivalent yields ranging from 6.09% to 9.06%.

### **Upcoming Event!**

The first issuance of tax-exempt commercial paper for general obligation bond programs to the markets in April/May.

Stay tuned!!

## **Investors Hear Latest Study On California's Economy**

On March 19, investors gathered in New York City to listen to results of a new study on California's economy prepared by, Joel Kotkin, senior fellow of the Center for the New West in Denver; and Stephen Levy, senior economist at the Center for the Continuing Study of California Economy in Palo Alto, California.

The report asserts that California has almost recovered from the recession of the early 1990s, and that the new economy is fundamentally different from and stronger than the pre-recession economy. The defense industry has been replaced by small, creative high-tech companies and a higher level of exports. These companies are responsible for most of the recent job growth in California.

## **General Obligation Bond Proposals**

The Governor's 1996-97 state budget proposes spending \$7.2 billion for infrastructure improvements. In the March 26 primary election, voters decided on two statewide bond measures: Proposition 192 authorizes \$2 billion in general obligation bonds for seismic improvements for bridges; and Proposition 203, a \$3 billion general obligation bond measure for school construction and renovation. In the November general election, voters will decide on a \$2.2 billion public safety general obligation bond measure for prison construction.

## ***The March 26th Primary Election Results***

According to the semi-official canvass of the Secretary of State's Office: Proposition 192 was approved by the voters, 59.9% for, 40.1% against; and Proposition 203 is approved by the voters, 61.9% for, 38.1% against.

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# Ask the State Treasurer

**Q:** *How much long-term General Obligation (GO) debt does the State of California owe?*

**A:** As of March 1996, the State of California has approximately \$14.5 billion general-fund-supported GO bonds outstanding. The amount represents the principal of the GO debt. Interest on this debt is approximately \$8.4 billion. Payments on these bonds are scheduled over the next 30 years on a decreasing scale. Any new bond issuance will, add to the amounts.

**Q:** *What is the total amount of "unissued general obligation bond authorization" before the \$5 billion bond proposals approved in the March 26 primary election?*

**A:** The total amount of "unissued general obligation bonds authorized" is approximately \$2.4 billion. This amount does not include the non-general-fund-supported GO bonds such as the Veterans home mortgage bonds.

**Q:** *Why is it necessary for me to complete a Form W-9 when I submit my bond for payment?*

**A:** Federal law requires the State Treasurer's Office to have a correct Taxpayer Identification Number on file prior to making any principal payments to a bondholder. The State Treasurer's Office may withhold 31% of the redemption price to a payee who does not furnish a Taxpayer Identification Number.

## Listing of Redemptions

*This listing reflects redemptions officially announced as of March 29, 1996. On May 1, 1996 the following bonds will be redeemed:*

**Clean Water Bonds, Series H (Full Redemption)**  
\$11,250,000, due November 1, 1996 through November 1, 1998 will be redeemed.

**Clean Water Bonds, Series K (Full Redemption)**  
\$5,000,000, due May 1, 1997 through May 1, 2000 will be redeemed.

**Clean Water and Water Conservation Bonds, Series B (Full Redemption)**  
\$4,000,000, due May 1, 1997 through May 1, 2000 will be redeemed.

**State Beach, Park, Recreational and Historical Facilities Bonds, Series K (Full Redemption)**  
\$3,750,000, due November 1, 1996 through November 1, 1998 will be redeemed.

*If there are any questions regarding the purpose or timing of these calls, please call (916) 653-3451. For redemption payment or registration information, please call (916) 653-2884.*

## Newsletter Mailing List

*Since interest checks are mailed every six months, you will receive The Treasury Note twice a year unless you hold other California State bonds with different interest payment dates. If you would like to be on the mailing list to receive The Treasury Note monthly, please send your name and address to the Investor Relations Program at the address on the previous page.*

## **Bond Sales Calendar\***

*If you are interested in purchasing any of these bonds, please contact your broker a couple of weeks before the sale date.*

BOND SALES	AMOUNT in millions	SALE DATE
State Public Works Board, Department of Corrections, Lease Purchase Revenue Bonds	\$370	April 1996
Revenue Anticipation Notes (RANs)	\$2 billion or less	April 17, 1996
Revenue Anticipation Notes (RANs)	\$3.2 billion or less	July 1996
State Public Works Board, California Museum of Science and Industry, Lease Purchase Revenue Bonds	\$32	Spring 1996 or Summer

\*Subject to change